The Minimum Wage and a "Tipping Wage"

A report on a survey of people who work at or near the minimum wage in Manitoba

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Introduction and Methodology

This paper reports on a survey we conducted, on behalf of the Canadian Centre for Policy Alternatives-Manitoba (CCPA-MB), in order to find out what people who work at, or near, the minimum wage think about the current minimum wage and the possible introduction of a two-tiered "tipping wage" in Manitoba.

Our study was conducted between April 2 and April 13, 2001. During this time we interviewed 75 people, most of whom are workers in low-wage industries such as food and beverage services and retail. Respondents were given the questionnaire and allowed to complete it in writing. The main section of our questionnaire asked two series of questions:

1. *What is your opinion of the current minimum wage? Is it at the appropriate level? Should it be raised? Should it be lowered? What effect does the level of the minimum wage have on your life?*
2. *What are your views on a two-tiered tipping wage? If there was a tipping wage how would it affect you?*

In conducting this questionnaire we attempted to reach as broad a demographic of low-wage earners as possible. We interviewed workers in both the inner-city and suburban areas of Winnipeg. We interviewed a series of workers in small independent restaurants and small retail outlets. We also interviewed those working for larger chain-stores and restaurants. As a result, our questionnaire represents a variety of full-time workers; part-time workers; students; heads of families; and those who do and do not earn tips.

Despite the steps we took to ensure a representative sample, this survey should not be regarded as a scientific empirical study. There have of course been many such studies concerning the minimum wage conducted. These studies provide valuable information, but they present the issues connected to the minimum wage policy only in terms of numbers and figures. We believe that our study is a valuable complement to other, empirical evidence, as it allows people who will be directly affected by any changes made to Manitoba's minimum wage policy to describe their experiences.

Overview

This report is set out in four sections. In the first section we describe the views and concerns that low-wage workers hold about the current minimum wage policy in Manitoba. The vast majority of the people we interviewed feel that the minimum wage in Manitoba is too low and that it should be raised to a

level that can justly be labelled "a living wage." In the second section we review the major themes and opinions that our questionnaire revealed in regard to the possible introduction of a two-tiered tipping wage in Manitoba. Based on a wide variety of responses, the majority of those we interviewed feel that a tipping wage is not a just or practical policy and should not be instituted in this province. In the third section, we look at the potential effects of a two-tiered tipping wage policy in Manitoba. Many feel that such a policy would undermine the morale of workers and/or drive people away from working in those industries where tips are earned. Also, if Manitoba introduces a tipping wage policy, many workers believe that they will be unable to sustain their current way of life and will be forced to work more hours or find additional employment. The fourth section looks at some of the changes that workers feel ought to be made to Manitoba's minimum-wage policy. These include raising the minimum wage by a certain amount and indexing the minimum wage to the cost of living or some other indicator. It is interesting to note that practically no one we interviewed cited a two-tiered tipping wage as a desirable, urgent or necessary alteration to Manitoba's minimum-wage policy.

Views Regarding the Current Minimum Wage Policy in Manitoba

An overwhelming majority of those we interviewed feel that Manitoba's minimum wage is too low. Approximately 89% said that it should be raised. The reasons given as to why can essentially be summed up under one theme: *The minimum wage in Manitoba is nothing more than a subsistence wage.* This situation was particularly well stated by one respondent: "For myself and friends of mine who are unfortunate enough to earn minimum wage, I find that life takes on a bit of a desperate, mercenary quality. People should not have to choose which essentials have to be cut out in a given month; minimum wage forces many of us into this position."

The impact of a subsistence-level minimum wage on the lives of workers is multifaceted. First, respondents noted that Manitoba's low minimum wage often forces people to work more than one job, or work extra hours at their principal job. Approximately 18% of our respondents presently work more than one job or mentioned this as an adverse effect of Manitoba's current minimum wage policy. "Minimum wage should be raised. As it is I work two to three jobs at a time—to pay rent, bills and other debts—just to 'make ends meet.'" Or, according to another respondent: "I have to hold two serving jobs to survive and

keep up with bills and paying back my student loan. How can one find a career when [one is already] working seven days a week?" Another reported that, "for many, the idea of a forty hour work week is a dream; many work two jobs and sixty hours a week just to live."

Second, many of the people we interviewed noted that it is difficult to raise a family in Manitoba wile earning the minimum wage. Approximately 21% of those we interviewed are parents and/or mentioned the difficulty of raising children on a minimum-wage income. As one parent put it, "minimum wage is *barely* life-supporting for adults." According to another: "The minimum wage is too low. It should be raised.... I can't afford to give my daughter everything she needs. I work two jobs and I just barely make it."

Third, we noted that Manitoba's current minimum wage adversely affects post-secondary education. Approximately 53% of the people we interviewed are students and/or mentioned particular difficulties related to working low-wage jobs while attending school. For instance, schoolwork is often neglected when many hours are spent working for low wages. "As a student the level of minimum wage today means that I have to work more hours, taking time and energy away from my studies, just to pay the bills. The situation becomes even more difficult once the rising cost of tuition is considered," one person told us. According to another student: "To maintain a decent standard of living I have to work more—a lot more—than I should, especially when studying.... [This] gets students into trouble when it is the end of term; pressure builds, minds are lost, jobs come and go, and the cycle continues."

A low minimum wage makes it difficult to save enough money to attend school. "I would be much less concerned about paying for grad school if [the minimum wage] were higher. As it is I might have to take a year off to work." Of course, these difficulties have the potential to translate into and contribute to other difficulties. It is noted that Manitoba's low minimum wage also contributes to increased student debt loads. "I have tried to live on minimum wage in the past and have always had to go into Visa or student loan debt." As a result of this, it is difficult for many people to move out of low-wage jobs. "The current minimum wage is insufficient...it is possible only to live pay cheque to pay cheque. [When] factoring in simple daily living expenses such as groceries, rent, gas, etc., there is never enough income remaining to save for education, RRSPs, retirement; basically, for the future. [This] makes it virtually impossible to 'get ahead.'"

Many of our respondents report that, based on their experience, a low minimum wage negatively effects the local economy. Because it is difficult for those who work at, or near, the minimum wage to sustain more than a very basic standard of living, minimum wage earners' income is mostly spent on necessities such as food, rent and clothing. This, in turn, leaves little money to be spent in other areas of the economy. For instance, one respondent noted that while, "most people working for minimum wage...have to struggle to make ends meet... people making above minimum wage can enjoy, such [things] as going out to dinner." This sentiment is reinforced by another: "I believe minimum wage could and should be higher. I find that the current minimum wage limits my spending in local businesses—emphasis on spending...and I believe that it has seriously limited Manitoba's spending culture; earning us a 'tough market reputation.'" A low level minimum wage might also have a negative effect on the long-term economy because low wage workers cannot save money. "Saving [money] working for minimum wage is nearly impossible. To work towards certain goals that I have minimum wage prolongs the process; making future plans seem so far fetched and far away." As such, low-wage workers cannot afford to securely establish themselves in Manitoba. "I'm still living below the poverty level; I can't afford to buy a car or a house."

Views Regarding the Possible Introduction of a Two-Tiered Tipping Wage in Manitoba

The majority of those we interviewed do not believe a two-tiered tipping wage is a just or desirable policy. And many say that, based on their experience, such a policy would be almost unmanageable and very much open to abuse. A little less than half of our respondents receive an average of one dollar or more in tips each shift. Eighty-two percent explicitly believe, for various reasons, that a two-tiered tipping wage policy should not be introduced in Manitoba. Further, some of those who feel a two-tiered system is a good idea believe that the wages of those who are not receiving tips should increase, and do not believe that the wages of those who receive tips should decrease. "I know that my wages are subordinate to the money I earn from tips; but six dollars an hour is already such a small amount of money. If anything, I think people in the non-service industry [those who do not make tips] should receive *more* money...." Or, as one employee who does not receive tips more bluntly stated: "Raise *our* wages!

Don't lower theirs." In fact, only about 5% of the workers that we interviewed thoroughly believe that a two-tiered tipping wage should be instituted in Manitoba.

There is a diversity of reasons as to why the majority of our respondents do not feel that a two-tiered tipping wage should be introduced in the province. First, many workers—both those who do and those who do not earn tips—feel that people deserve tips as a compliment to their wage. Serving the public, particularly in a restaurant setting, is a very demanding job. Eating is a personal, and often very particular, business and as such the demands made on servers are often of a very personal and particular nature. "I think a two-tier minimum wage isn't a good idea because people who work hard and well deserve the minimum and [their] tips. You have to bust your butt just to earn tips which means putting up with difficult customers. People give you tips for doing an extra good job so you'll have extra money in your pocket...." Or, according to another respondent: "I do not agree personally with the idea of a two-tiered tipping wage. Those who get tips deserve them because they are providing a public service and they work very hard to earn their wage and their tips. Also, most jobs that offer tips do not offer a high wage so the tips allow employees to be able to meet basic needs more easily."

This sentiment is reflected by others. Many believe that low-wage workers who earn tips already receive, on average, a lower wage than those low-wage workers who do not earn tips. Our questionnaire lends support to this suspicion. Of the 75 people that we interviewed 33 earn, on average, more than one dollar in tips per shift. Comparatively, 34 do not earn tips but have been classified as low-wage workers; meaning they make 10 dollars or less per hour in wages. (The remaining 8 make more than 10 dollars per hour, make a salary, or do not make a regular wage because they are self-employed. None of these people have been included in our calculation.) On average, according to our study, low-wage workers who earn tips make approximately 71 cents less per hour than low-wage workers who do not earn tips. Furthermore, while 32% of the workers who do not earn tips make 8 dollars or more per hour; only 6% of the workers who earn tips receive 8 dollars or more per hour.

Many of our respondents do not believe a two-tiered tipping wage should be introduced in Manitoba because tips are not a reliable or consistent source of income. "This two-tiered concept doesn't take into account the variable nature of tips, not only from employee to employee, but from season to season or night to night. Dishwashers do not earn the same tips as servers; summers will yield more tips than winters; Fridays will yield more tips than Mondays." Tips also depend on the *time* of day one works.

"[A tipping wage] would affect me because I work in a deli and I'm only a waitress at lunch for one hour." Further, it is noted that the precarious nature of tips would make it difficult for people, under a two-tiered system, to make long-term financial commitments. "Tips are not a steady income. Those lucky enough to make them can't always know how much they will earn, making it difficult to budget for future expenses." Also, as another respondent notes, tipping is left to "the discretion of each individual tipper" and this leaves workers "too vulnerable."

Many workers do not have control of their tips even once the tips have been received. Many businesses divide tips evenly among the employees; often this is done after each shift by those who have worked the shift. But many workers receive their tips only every two weeks and must trust others, most commonly management, to fairly divide the money. To add to this, because of the variable nature of tips, there is no way of knowing how much one is entitled to over each bi-weekly period. At some businesses, the workers have even less control over the tips that they make: "We have a tip cup and every Christmas our boss splits the tips and gives everyone a portion of the year's earnings."

When considering the unreliable nature of tips, it is also important to note that tips vary widely according to the type of job, or restaurant, in which one works. According to our questionnaire, average tips per shift vary from 50 cents to 150 dollars. Thus, when considering a possible two-tiered tipping wage, *where do we draw the line?* While it is conceivable that a lower wage would not greatly affect a server who makes over 100 dollars on average in tips per shift, even those servers cannot rely on their tips as a consistent income. And, "if such a system were to impact... a counter server [it] would not be good as counter servers only get tipped spare change." In the end, because of the great discrepancy of money made in the form of tips, many of our respondents feel that a two-tiered minimum wage is not practicable and cannot be justly introduced. "It is ridiculous—how can you have two minimum wages? How can you determine the tipping minimum wage? Tips vary so much that the people who get very small tips [would] lose out.... It is unfair!"

Respondents also noted that, while it is clearly the responsibility of an employer to pay his or her employees, a two-tiered tipping wage, at least partially relieves the employer of this responsibility and places it upon the customers of his or her business. Thus, "a two-tiered system would benefit only the employers. Employees work hard for their tips and this system would be taking advantage of the extra effort workers put in to earn their tips." Similarly, it is noted that tips *should* be of little, or no, interest to

the employer. "I believe that tips should be given by customers who would like to show their appreciation.... [And] it's no one's business about tips but the customer who is tipping."

Further, some worry that a two-tiered minimum wage might give employers an opportunity to cheat their employees. According to one respondent, employers might "say that they had tips when all they had was a tip jar that no one ever used." This concern is reinforced by another who states: "I can foresee some ridiculous circumstance where fast food chains add tip jars to avoid paying their employees a better wage." Of course, not all employers are likely to react in this way and one must also consider the opposite possibility. We interviewed one employer who would "*impose* a 15 to 20% gratuity on *all* sales" if a tipping wage were introduced in Manitoba.

Possible Adverse Effects of a Two-Tiered Tipping Wage

The noted possible adverse effects of a two-tiered tipping wage are two-fold. First, many of our respondents believe that a tipping-wage policy would negatively affect the businesses and industries where tips are received. For instance, it is noted that a two-tiered tipping wage would likely "undermine the morale of those people who work for tips." This, in turn, would contribute to an increasingly poor quality of service provided in industries where tips are received. Under a two-tiered tipping wage policy, "People who went to restaurants would have terrible service because 'real servers' would look only to please people who tip...." And as noted by another respondent, "I would make less money for the same amount of work. Would I work harder? Probably not." As a result, a two-tiered tipping wage policy has the potential to drive many workers away from tipping jobs. "This is a terrible idea.... I think that if you implement a two-tier system a lot of servers would quit. It is just not worth the stress; working in a restaurant is very demanding."

Second, a two-tiered tipping wage policy has the potential to exacerbate the difficulties that low-wage workers presently face. As is mentioned above, the vast majority of the people we interviewed feel that the current minimum wage is inadequate. Many low-wage workers find it difficult to maintain a decent standard of living. As a result, many workers who presently earn tips would not be able to sustain their current way of life if a two-tiered tipping wage was introduced in Manitoba. "As someone who makes tips I rely on that small amount of money for daily costs, such as bus fare. The money I make on minimum

wage barely covers my rent and bills, let alone feeding, clothing and taking care of my basic needs. Tips allow me to do these things." Also, as may be expected, a two-tiered tipping wage would, for many workers, make difficult tasks, such as school and parenting, even more difficult. "As a server I am against a two-tiered minimum wage system. Many servers are either trying to support dependants or educate themselves. This system is inherently discriminatory against these groups. By decreasing minimum wage for those who earn tips, students and parents will be forced to either work more or to find other means of employment." This is reflected by another respondent who states: "The reason most people become wait-staff is to make extra money to pay off student loans, etc.; so they can get a better job that is above minimum wage.... If there was a tipping wage I'd probably have to get a part-time job as a squeegee kid (adult)."

The overall possible adverse effects of a two-tiered tipping wage are perhaps summed up by another respondent: "That was the system in Texas when I worked in a restaurant there. It was incredibly difficult to make rent—never mind eat and pay other expenses. Making 75 dollars [in wages] every two weeks was a joke—especially with the increased cost of living. Waiters gave worse and worse service because it was hardly worth it. If the law comes into effect here I will definitely look for a retail position or some other form of employment."

What Should Be Done?

As was said earlier, approximately 89% of the people we interviewed believe that, based on their experience, Manitoba's current minimum wage is too low. Some of these people believe that the minimum wage is sufficient for those who do not have many expenses but believe that it is inadequate for the majority of workers; they feel that the minimum wage should be increased by a moderate amount. "I believe that minimum wage should be raised to 6 dollars and 50 cents [per hour]. Prices everywhere have gone up. Just trying to pay for gas or necessities can have a big impact on your paycheque. I don't have many problems (I live at home), but I believe it to be impossible to live off a salary of 6 dollars an hour, full time, if you live on your own." Others remain cautious but feel that the minimum wage should be increased by a more notable amount. "I think an eventual level of 7 to 8 dollars per hour would be ideal, provided that the change does not negatively affect Manitoba's economy or the willingness of employers to hire new workers." Others see the unfavourable condition of Manitoba's low-wage workers as being more

drastic and believe that, "without hesitation minimum wage should increase by at least 2 dollars an hour." Similarly, others believe that Manitoba would benefit from a significantly higher minimum wage. "Minimum wage is too low to expect people to survive on...never-mind if one has a child or children. Minimum wage should be at least 10 dollars an hour to allow people to live comfortably."

Many of our respondents believe that the minimum wage should be indexed to the cost of living or some other indicator, such as the minimum wage in other provinces. Approximately 30% of our respondents feel that an indexed minimum wage should be considered when changes are being made to Manitoba's minimum wage policy. "My opinion of the minimum wage is that it is too low. It should be raised ... because the cost of living continually goes up but the minimum wage rarely goes up enough to cover the constant rise." Similarly, another notes that, "its difficult to see the rationale for the rate of inflation being so much higher than the minimum wage." At the same time, it must also be noted that the possible ramifications of an indexed minimum wage are complex. A policy of this sort will not benefit low-wage workers unless Manitoba's minimum wage is first raised above its current level. If it is not, an indexed minimum wage will lock workers into a permanently inadequate wage.

Conclusion

While this report represents only a small sample of low-wage workers, it exposes a trend of legitimate concerns regarding the inadequacy of Manitoba's current minimum wage policy. ***Manitoba's minimum wage is nothing more than a subsistence wage.*** The possible introduction of a two-tiered tipping wage in Manitoba threatens to make this unsettling situation worse.

Further, ***a two-tiered tipping wage does not make sense.*** A tipping wage implies that there is such thing as a "tipping job" but this is not true. The discrepancy from job to job of money made in the form of tips is too large. In some jobs workers can expect to earn a significant amount of money in tips each shift; other jobs yield very little. As a result, in many cases under a two-tiered tipping wage the money workers earn in tips, while unreliable, would become more important than the wage paid by their employers. Respondents believe that a tipping wage would lower the moral of workers and/or force many to find additional jobs in other industries.